

## Message Text

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DRAFTED BY A:JCONDAYAN:LL

APPROVED BY A - JOHN M. THOMAS

EUR/CE - MR. KORNBLUM

A/FBO - MR. STANGE

EUR - MR. ANDERSON

EUR/EX - MR. BASKEY

EUR/EX - MR. RATTRAY

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FM SECSTATE WASHDC

TO AMEMBASSY BERLIN PRIORITY

C O N F I D E N T I A L STATE 102044

E.O. 11652:GDS

TAGS:ABCD

SUBJECT: PERMANENT EMBASSY CHANCERY

REF: (A) BERLIN 5 63, (B) BERLIN 5615, (C) BERLIN 5693,  
(D) B-RLIN 5720

1. DEPARTMENT AND CONTRACT ARCHITECT KNOOP HAVE REVIEWED  
CONTENTS OF BERLIN 5693 WHICH OUTLINED ADDITIONAL DLA  
CHARGES FOR CHANCERY RENOVATION. AS PLANS AND DETAILED  
BREAKDOWN OF DIRECT REPEAT DIRECT COSTS HAVE NOT YET  
BEEN RECEIVED, WE ARE UNABLE TO MAKE SPECIFIC COMMENTS  
ON THIS CATEGORY OF ADDITIONAL COSTS. HOWEVER, IT IS  
CLEAR THAT CHARGES FOR INDIRECT EXPENSES (ITEMS I, II  
AND IV AS WELL AS "LOST MATERIAL" AND "LOST PROJECT  
EXPENSES") APPEAR EXCESSIVE. WE ALSO AGREE WITH EMBASSY  
VIEW THAT MANNER IN WHICH GDR IS CONTINUING WITH WORK  
BEFORE DISCUSSING PROPOSED CHANGES AND ADDITIONAL COSTS  
IS UNACCEPTABLE.

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2. AMBASSADOR SHOULD PRESENT DEPARTMENT'S VIEWS ON

CONSTRUCTION ISSUES TO HIGHEST APPROPRIATE FOREIGN  
MINISTRY OFFICIALS AS FOLLOWS:

A. US IS CONCERNED WITH MANNER IN WHICH THE GDR HAS  
TREATED OUR REQUEST FOR CHANGES IN ORIGINAL PLANS FOR  
CHANCERY BUILDING. THE ALTERATIONS WHICH WE DESIRE ARE  
NOT UNREASONABLE AND ARE OF A NATURE WHICH OFTEN ARISE  
IN A MAJOR RENOVATION PROJECT OF THIS SORT.

B. SINCE WE REALIZED THAT CHANGES COULD NOT BE MADE  
WITHOUT FURTHER DISCUSSION, OUR ORIGINAL PROPOSALS WERE  
ACCOMPANIED BY A SPECIFIC REQUEST THAT WORK IN AFFECTED  
AREAS OF THE CHANCERY BE HALTED UNTIL THE US AND GDR SIDES  
HAD AN OPPORTUNITY TO GO OVER OUR PROPOSALS IN DETAIL TO  
DETERMINE WHAT WAS POSSIBLE AND WHAT THE ADDITIONAL COSTS  
IF ANY WOULD BE.

C. HOWEVER, THE DLA REFUSED TO HALT CONSTRUCTION AND DID  
NOT SEEM WILLING TO ENTER INTO DETAILED DISCUSSION OF  
OUR PROPOSALS. INSTEAD, WE RECEIVED WHAT APPEARED TO BE  
A FINAL POSITION FROM THE DLA REJECTING SOME OF OUR  
PROPOSALS COMPLETELY, WITHOUT GIVING SUFFICIENT REASON  
WHY THEY COULD NOT BE CARRIED OUT, AND DETAILING  
ADDITIONAL COSTS, MANY OF WHICH APPEAR TO EXCESSIVE.

D. UNTIL WE HAVE COMPLETED OUR STUDY OF BUILDING PLANS  
AND BREAKDOWN OF ADDITIONAL CHARGES, WE WILL NOT BE ABLE  
TO MAKE SPECIFIC COMMENTS ON THE INCREASED DIRECT COSTS  
REQUESTED BY THE DLA. WE HAVE, HOWEVER, REVIEWED THE  
INDIRECT COSTS CONTAINED IN THE DLA PRESENTATION AND IN  
OUR VIEW, THEY ARE UNACCEPTABLE.

E. WHILE THE USG ACCEPTS THE PREMISE OF PAYMENT FOR COSTS  
FOR RENOVATIONS EXCEEDING DLA NORMS WHICH WE REQUEST AND  
APPROVE, WE BELIEVE THE VALIDITY AND LOGIC OF INDIRECT  
COST CLAIMS PUT FORWARD BY THE DLA ARE OPEN TO SERIOUS  
QUESTION. WE WILL REQUIRE A DETAILED EXPLANATION OF THE  
CHARGES FOR "EXTRAORDINARY WORK" AND THE AMOUNT DEMANDED  
UNDER "OTHER INVESTMENTS" BEFORE WE CAN SERIOUSLY CONSIDER  
ANY SUCH BILLINGS. WHILE WE MAY EVENTUALLY AGREE TO  
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SOME REASONABLE PENALTY FOR "LOST MATERIAL" AND "LOST  
PROJECT EXPENSES", WE ARE CLEARLY NOT PREPARED TO ACCEPT  
CHARGES FOR ITEMS SUCH AS WOOD PANELING WHICH MUST BE  
USABLE IN OTHER GDR CONSTRUCTION PROJECTS.

F. WITH REFERENCE TO GRILLWORK MENTIONED IN BERLIN 5720,  
ARCHITECT KNOOPS STATES THAT NO REPEAT NO REQUEST WAS  
MADE FOR GRILLWORK. WHILE SUBJECT WAS DISCUSSED

INFORMALLY, NO CONCLUSIONS WERE DRAWN AND NO AGREEMENT  
WAS REACHED ON THE SUBJECT.

G. THE DIFFICULTIES MENTIONED ABOVE INDICATE CLEARLY  
THAT CONSIDERABLE FURTHER STUDY AND DISCUSSION WILL BE  
THAT CONSIDERABLE FURTHER STUDY AND DISCUSSION WILL BE  
NECESSARY BEFORE US-GDR DIFFERENCES OVER CHANCERY  
CONSTRUCTION CAN BE IRONED OUT. TO ENABLE THE RENOVATION  
PROJECT TO BE COMPLETED IN A FASHION SATISFACTORY TO BOTH  
SIDES, US URGES STRONGLY THAT GDR SUSPEND CONSTRUCTION  
ON Affected AREAS OF CHANCERY UNTIL AGREEMENT ON EXTENT  
AND COST OF PROPOSED CHANGES CAN BE REACHED. US ALSO  
SUGGESTS THAT EMBASSY AND DLA GET TOGETHER AS SOON AS  
WASHINGTON OFFICIALS HAVE HAD A CHANCE TO STUDY DETAILS  
OF INCREASED CHARGES TO DETERMINE WHAT CHANGES CAN BE  
MADE AND WHAT A FAIR PRICE FOR THESE ALTERATIONS MIGHT  
BE.

H. IN MAKING THIS REQUEST, USG WISHES TO STRESS  
SERIOUSNESS WITH WHICH WE VIEW THIS MATTER. UNWILLINGNESS  
OF GDR TO DISCUSS CONSTRUCTION ISSUES WITH US IN OPEN  
MANNER RAISES QUESTION ABOUT ULTIMATE ACCEPTABILITY OF  
CHANCERY RENOVATION AS COMPLETED BY DLA. OUR WILLINGNESS  
TO ACCEPT THE CHANCERY BUILDING AND TO BEGIN PAYING RENT  
WILL BE AFFECTED BY THE MANNER IN WHICH THE GDR DEALS WITH  
THE QUESTION OF COSTS AND WITH COMPLETION OF THE WORK  
SPECIFIED BY THE USG.

3. DEPARTMENT WOULD PREFER TO DEFER COMMENT ON OTHER  
ISSUES RAISED IN REFTELS UNTIL RESULTS OF ABOVE  
REPRESENTATION ARE KNOWN. SISCO

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